



**Grant Thornton**

## Financial Statements

North Simcoe Community Futures Development  
Corporation

March 31, 2019

**NORTH SIMCOE COMMUNITY FUTURES  
DEVELOPMENT CORPORATION  
Index to Financial Statements**

Year ended March 31, 2019

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## Independent auditor's report

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To the Board of Directors of North Simcoe Community Futures Development Corporation

### **Qualified Opinion**

We have audited the financial statements of North Simcoe Community Futures Development Corporation ("the Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of North Simcoe Community Futures Development Corporation as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Other matters**

The financial statements of North Simcoe Community Futures Development Corporation for the year ended March 31, 2018, were audited by Sedgwick Post & Hogg LLP Chartered Professional Accountants who expressed an unmodified opinion on those statements on June 12, 2018. The partners and staff of Sedgwick Post & Hogg LLP Chartered Professional Accountants joined Grant Thornton LLP subsequent to June 12, 2018.

**Grant Thornton LLP**

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants  
Licensed Public Accountants

Midland, Canada  
June 11, 2019

# NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

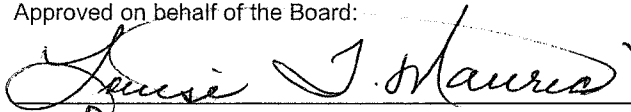
## Statement of Financial Position

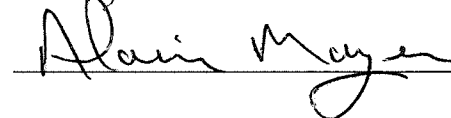
March 31, 2019, with comparative figures for 2018

	General Fund	Board Fund	Projects Fund	SSS Fund	Investment Fund	2019 Total	2018 Total
<b>Current assets</b>							
Cash	\$ -	\$ 52,977	\$ 3,613	\$ -	\$ -	\$ 56,590	\$ 65,164
Accounts receivable	14,312	-	-	-	-	14,312	36,200
Prepaid expenses	3,583	-	-	-	-	3,583	6,640
	17,895	52,977	3,613	-	-	74,485	108,004
<b>Capital assets (note 3)</b>	2,742	-	328	1,946	-	5,016	7,513
<b>Restricted assets</b>							
Cash	-	-	-	44,932	768,301	813,233	1,071,316
Accrued interest receivable	-	-	-	-	31,411	31,411	18,938
Accounts receivable	-	-	-	30,600	-	30,600	14,230
Loans receivable (note 4)	-	-	-	-	3,461,910	3,461,910	3,163,110
	-	-	-	75,532	4,261,622	4,337,154	4,267,594
	\$ 20,637	\$ 52,977	\$ 3,941	\$ 77,478	\$ 4,261,622	\$ 4,416,655	\$ 4,383,111
<b>Current liabilities</b>							
Bank overdraft	\$ 3,568	\$ -	\$ -	-	\$ -	\$ 3,568	\$ -
Accounts payable and accrued liabilities	14,880	938	-	4,307	-	20,125	48,058
Deferred revenue	-	-	668	55,148	-	55,816	73,809
	18,448	938	668	59,455	-	79,509	121,867
<b>Deferred capital contributions (note 6)</b>	2,189	-	328	1,946	-	4,463	6,591
<b>Fund balances</b>							
Restricted	-	-	-	16,077	4,261,622	4,277,699	4,184,316
Unrestricted	-	52,039	2,945	-	-	54,984	70,337
	-	52,039	2,945	16,077	4,261,622	4,332,683	4,254,653
	\$ 20,637	\$ 52,977	\$ 3,941	\$ 77,478	\$ 4,261,622	\$ 4,416,655	\$ 4,383,111

The Auditor's opinion and notes to financial statements form an integral part of this report.

Approved on behalf of the Board:

 Director

 Director

# NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## Statement of Operations and Changes in Fund Balances

Year ended March 31, 2019, with comparative figures for 2018

	General Fund	Board Fund	Projects Fund	SSS Fund	Investment Fund	2019 Total	2018 Total
<b>Revenue</b>							
Government contributions (note 5)	\$ 276,985	\$ -	\$ -	\$ 159,548	\$ -	\$ 436,533	\$ 374,486
Amortization of deferred capital contributions (note 6)	698	-	651	779	-	2,128	3,474
Investment income	618	466	-	423	8,252	9,759	5,840
Projects	-	-	7,019	-	-	7,019	7,204
Other income (note 7)	22,766	-	-	-	-	22,766	22,095
Loans recovered	-	-	-	-	-	-	1,149
Loan interest income	-	-	-	-	231,447	231,447	231,322
	301,067	466	7,670	160,750	239,699	709,652	645,570
<b>Expenses (see attached schedule)</b>							
Amortization of capital assets	1,067	-	651	779	-	2,497	3,843
Provision for doubtful loans (note 4)	-	-	-	-	132,355	132,355	235,673
Salaries & benefits	245,598	-	-	118,645	-	364,243	335,256
Occupancy & equipment	45,837	-	-	571	-	46,408	48,150
Director & community meetings expense	4,128	-	-	183	-	4,311	2,194
Loan management	4,086	-	-	-	1,659	5,745	4,478
Community development	17,561	-	5,478	15,739	-	38,778	27,288
Administration	21,350	-	-	15,900	35	37,285	34,997
	339,627	-	6,129	151,817	134,049	631,622	691,879
<b>Revenue (deficiency) over expenses for the year</b>	(38,560)	466	1,541	8,933	105,650	78,030	(46,309)
<b>Fund Balances</b>							
Beginning of year	-	68,933	1,404	7,144	4,177,172	4,254,653	4,300,962
Use of surplus funds:							
Transfer of surplus	17,360	(17,360)	-	-	-	-	-
SIFT Transfer (note 8)	21,200	-	-	-	(21,200)	-	-
	38,560	(17,360)	-	-	(21,200)	-	-
<b>End of year</b>	\$ -	\$ 52,039	\$ 2,945	\$ 16,077	\$ 4,261,622	\$ 4,332,683	\$ 4,254,653

The Auditor's opinion and notes to financial statements form an integral part of this report.



# NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## Statement of Cash Flows

Year ended March 31, 2019, with comparative figures for 2018

	General Fund	Board Fund	Projects Fund	SSS Fund	Investment Fund	2019 Total	2018 Total
Cash provided by (used in)							
Operating activities							
Revenue (deficiency) over expenses							
for the year	\$ (38,560)	\$ 466	\$ 1,541	\$ 8,933	\$ 105,650	\$ 78,030	\$ (46,309)
Add - amortization	1,067	-	651	779	-	2,497	3,843
- amortization of deferred capital contributions	(698)	-	(651)	(779)	-	(2,128)	(3,474)
	(38,191)	466	1,541	8,933	105,650	78,399	(45,940)
Changes in non-cash working capital balances							
Accounts receivable	6,404	17,360	-	(16,400)	30	7,394	30,472
Accrued interest receivable	-	-	-	-	(12,473)	(12,473)	1,788
Prepaid expenses	3,058	-	-	-	-	3,058	1,603
Accounts payable and accrued liabilities	(20,387)	-	-	(9,363)	(60)	(29,810)	(16,285)
Deferred revenue	-	-	(3,593)	(14,400)	-	(17,993)	21,884
	(49,116)	17,826	(2,052)	(31,230)	93,147	28,575	(6,478)
Investing activities							
Transfer of funds	38,560	(17,360)	-	-	(21,200)	-	-
Loans receivable, net	-	-	-	-	(298,800)	(298,800)	321,259
	38,560	(17,360)	-	-	(320,000)	(298,800)	321,259
Cash position							
Cash increase (decrease) during the year	(10,556)	466	(2,052)	(31,230)	(226,853)	(270,225)	314,781
Cash balance, beginning of year	6,988	52,511	5,665	76,162	995,154	1,136,480	821,699
Cash balance, end of year	\$ (3,568)	\$ 52,977	\$ 3,613	\$ 44,932	\$ 768,301	\$ 866,255	\$ 1,136,480
Cash consists of:							
Unrestricted cash	\$ (3,568)	\$ 52,977	\$ 3,613	\$ -	\$ -	\$ 53,022	\$ 65,164
Restricted cash	-	-	-	44,932	768,301	813,233	1,071,316
	\$ (3,568)	\$ 52,977	\$ 3,613	\$ 44,932	\$ 768,301	\$ 866,255	\$ 1,136,480

The Auditor's opinion and notes to financial statements form an integral part of this report.



# NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## Schedule of Expenses

Year ended March 31, 2019, with comparative figures for 2018

	General Fund	Board Fund	Projects Fund	SSS Fund	Investment Fund	2019 Total	2018 Total
Salaries and benefits							
Salaries	\$ 208,984	\$ -	\$ -	\$ 108,416	\$ -	\$ 317,400	\$ 290,693
Benefits	36,614	-	-	10,229	-	46,843	44,563
	<b>\$ 245,598</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 118,645</b>	<b>\$ -</b>	<b>\$ 364,243</b>	<b>\$ 335,256</b>
Occupancy & equipment							
Rent & taxes	\$ 31,653	\$ -	\$ -	\$ -	\$ -	\$ 31,653	\$ 31,180
Repairs & maintenance	2,818	-	-	-	-	2,818	3,605
Equipment maintenance	338	-	-	-	-	338	1,175
Capital expenditures under \$1,000	-	-	-	-	-	-	177
Insurance	2,884	-	-	-	-	2,884	2,293
Telephone and internet	3,847	-	-	571	-	4,418	4,639
Utilities expense	4,297	-	-	-	-	4,297	5,081
	<b>\$ 45,837</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 571</b>	<b>\$ -</b>	<b>\$ 46,408</b>	<b>\$ 48,150</b>
Director & community meetings expense							
Meetings	\$ 4,128	\$ -	\$ -	\$ 183	\$ -	\$ 4,311	\$ 2,194
Loan management							
Collection costs	\$ 4,086	\$ -	\$ -	\$ -	\$ 1,659	\$ 5,745	\$ 4,478
Community development							
Public relations & marketing	\$ 2,195	\$ -	\$ 91	\$ 5,143	\$ -	\$ 7,429	\$ 8,756
Memberships/dues/ conferences	8,682	-	-	50	-	8,732	5,349
Consulting fees	4,289	-	-	-	-	4,289	-
Business & community development	2,395	-	5,387	10,546	-	18,328	13,183
	<b>\$ 17,561</b>	<b>\$ -</b>	<b>\$ 5,478</b>	<b>\$ 15,739</b>	<b>\$ -</b>	<b>\$ 38,778</b>	<b>\$ 27,288</b>
Administration							
Bank charges and interest	\$ 170	\$ -	\$ -	\$ -	\$ 35	\$ 205	\$ 533
Software and technical upgrades	-	-	-	9,463	-	9,463	4,658
Office supplies	4,748	-	-	379	-	5,127	5,206
Professional/administration fees	8,234	-	-	5,155	-	13,389	11,901
Bilingual expense	736	-	-	-	-	736	1,826
Travel expense	5,782	-	-	903	-	6,685	4,828
Training	1,123	-	-	-	-	1,123	2,359
Miscellaneous	557	-	-	-	-	557	3,686
	<b>\$ 21,350</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,900</b>	<b>\$ 35</b>	<b>\$ 37,285</b>	<b>\$ 34,997</b>

The Auditor's opinion and notes to financial statements form an integral part of this report.

# NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## Notes to Financial Statements

Year ended March 31, 2019

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### 1. Purpose of the Organization

The North Simcoe Community Futures Development Corporation's primary purpose is to provide community economic development services in the region of North Simcoe. The Corporation's mandate is to support rural communities by providing strategic community planning and implementation, repayable financing for local businesses and a variety of business services for small and medium sized enterprises. The Corporation was incorporated without share capital on April 16, 1986 under provisions of the Ontario Corporations Act. The Corporation is to carry on business without purposes of gain for its members and any profits or other accretion to the Corporation shall be used in promoting its objects.

If the Corporation were to dissolve and after the payment of all debts, the remaining assets of the Corporation would be distributed or disposed of to another organization with similar goals and objectives as approved by FedDev Ontario.

The Corporation is exempt from income tax as per section 149(1)(L) of the Income Tax Act of Canada.

### 2. Significant accounting policies

#### Basis of presentation

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations. The significant policies are detailed as follows:

#### Revenue recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions related to expenses for future periods are deferred and recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization of the underlying capital assets (see note 8).

Interest revenue in the Investment Fund is recognized on the accrual basis. The Corporation accrues interest on loans and mortgages in arrears until collection becomes doubtful.

#### Fund accounting

The Corporation uses fund accounting. A description of the funds is described below:

The General Fund accounts for the Corporation's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating contributions from FedDev Ontario.

The Investment Fund was established to provide financing for new and existing enterprises in order to protect or create new jobs.

The Projects Fund reports restricted resources that are to be used for support of community initiatives.

See Auditor's report.

# NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## Notes to Financial Statements

Year ended March 31, 2019

### 2. Significant accounting policies (continued)

The Board Fund consists of "internally restricted" funds which may be used for the benefit of the organization and the community at large as determined by the Board of Directors.

The Severn Sound Sustainability (SSS) Fund reports restricted resources that are to be used for activities related to the implementation of the Severn Sound Sustainability Plan. This plan addresses the goals, strategic directions and actions that ensure the sustainability of the Severn Sound watershed and to achieve a sustainable quality of life for all citizens by developing a common culture of environmental, economic and social balance.

#### Capital assets and amortization

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis over the expected useful life of the assets as follows:

Assets	Expected useful life
Furniture and fixtures	10 years
Computer equipment	4 years

Additions during the year are amortized at one half of the above rates.

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

#### Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

See Auditor's report.

# NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## Notes to Financial Statements

Year ended March 31, 2019

### 3. Capital assets

			2019	2018
	Cost	Accumulated Amortization	Net book value	Net book value
Furniture and fixtures - General Fund	\$ 20,523	\$ 18,334	\$ 2,189	\$ 2,888
Furniture and fixtures - Enhanced Operations	6,507	6,179	328	979
Computer equipment - General Fund	24,464	23,911	553	921
Computer equipment - SSS (Trillium)	3,114	1,168	1,946	2,725
	<b>\$ 54,608</b>	<b>\$ 49,592</b>	<b>\$ 5,016</b>	<b>\$ 7,513</b>

### 4. Continuity of loans and provision for losses on loans

The loans receivable bear interest at varying rates from 5% to 8.95% at fixed terms of twelve months to sixty months.

The loans receivable balance comprises:

	2019	2018
Loans outstanding:		
Balance, beginning of year (i)	\$ 3,563,110	\$ 3,884,369
Add - new loans advanced in the year	878,274	814,175
	<b>4,441,384</b>	<b>4,698,544</b>
Less - principal repayments	450,150	901,860
- loans written off	179,324	233,574
	<b>629,474</b>	<b>1,135,434</b>
Balance, end of year	<b>3,811,910</b>	<b>3,563,110</b>

(i) Included in loans outstanding is an amount to Future Health Services Inc. (a related party due to Board of Director representation) for \$200,000 (2018 - \$200,000). This amount bears interest at 6% and matures September 1, 2019. Subsequent to year-end the debt was converted to an equity position with an additional \$50,000 investment issued to bring the total equity investment in Future Health Services to \$250,000.

Allowance for doubtful loans:

Balance, beginning of year	400,000	400,000
Add: charges to operations	132,355	234,524
	<b>532,355</b>	<b>634,524</b>
Less: loans, interest and fees written off	182,355	234,524
	<b>350,000</b>	<b>400,000</b>
Balance, end of year	<b>350,000</b>	<b>400,000</b>
Loans receivable	<b>\$ 3,461,910</b>	<b>\$ 3,163,110</b>

See Auditor's report.

# NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## Notes to Financial Statements

Year ended March 31, 2019

### 4. Continuity of loans and provision for losses on loans (continued)

The Board of Directors determines the allowance for doubtful loans by providing for specific loan losses after reviewing outstanding loans on a loan-by-loan basis plus the use of an estimated percentage based on past experience for all loans for which no specific provision has been established.

The loan principal payments due to be received over the next five years are as follows:

2020	\$ 481,717
2021	412,393
2022	348,210
2023	431,894
2024	87,947
Subsequent years	2,049,749
	<u>\$ 3,811,910</u>

### 5. Government contributions

The organization entered into an agreement with the Federal Economic Development Agency for Southern Ontario from April 1, 2014 to March 31, 2019. During fiscal 2019, the organization received funding of \$276,985, all of which was spent during the year.

The organization entered into an agreement with the Ontario Trillium Foundation for funding of the Severn Sound Sustainability ("SSS") program in the amount of \$68,700. The agreement was for 11 months ending June 30, 2018. At March 31, 2019, the organization had received \$68,200 of which \$40,342 was recognized as revenue in fiscal 2018 and the remaining \$27,858 was recognized as revenue in the current fiscal year.

The organization entered into agreements with 7 local municipalities for funding of the SSS program in the amount of \$61,200. The agreement is from January 1 to December 31, 2019. At March 31, 2019, the organization had recognized \$15,300 as revenue on the statement of operations and \$45,900 was deferred on the statement of financial position.

The organization entered into agreements with 7 local municipalities for funding of the SSS program in the amount of \$64,200. The agreement was from January 1 to December 31, 2018. Of this amount, \$48,150 was recognized as revenue in the current fiscal year and \$16,050 was recognized as revenue in fiscal year 2018.

The organization entered into an agreement with the Federation of Canadian Municipalities for funding of the Sustainable Severn Sound's Local Climate Change Action Plan project from December 1, 2017 to November 30, 2019. Funding is paid upon completion of milestones reached and financial reports submitted. At March 31, 2019, the organization had received and recognized \$68,400 as revenue on the statement of operations.

See Auditor's report.

# NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## Notes to Financial Statements

Year ended March 31, 2019

### 6. Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized amount of government contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2019	2018
Balance, beginning of year	\$ 6,591	\$ 6,951
Add: Contributions - SSS - Trillium	-	3,114
Less: amounts recognized as amortization of deferred capital contribution for the year	(2,128)	(3,474)
Balance, end of year	\$ 4,463	\$ 6,591

### 7. Other income

Other income in the General Fund consists of loan fees, rental income, administration fees charged to the SSS fund and office support fees charged to a third party.

### 8. Sustainable Investment Fund Transfer

The following amounts were paid for and expensed through the General Fund by way of a Sustainable Investment Fund Transfer (SIFT) as approved by FedDev Ontario:

	2019	2018
Salaries and benefits	\$ -	\$ 25,155
Occupancy costs	10,600	1,811
Community development	2,154	-
Administration	8,446	-
Balance, end of year	\$ 21,200	\$ 26,966

### 9. Commitments

A total of \$500,000 of loans had been approved but not advanced at March 31, 2019 (March 31, 2018 - \$180,000).

The Organization leases office space for its current location which matures on October 31, 2019. The future minimum lease payments under this lease to 2020 is \$21,517

See Auditor's report.

# NORTH SIMCOE COMMUNITY FUTURES DEVELOPMENT CORPORATION

## Notes to Financial Statements

Year ended March 31, 2019

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### 10. Financial instruments

#### (a) Credit risks

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from its customers. It is the management's opinion that the Organization is not exposed to any significant credit risks arising from accounts receivable. Due to the nature of the Organization, the loans receivable are subject to significant credit risk.

#### (b) Interest rate risks

Loans receivable bear fixed interest rates on all loans. Consequently, there is no interest rate risk exposure.

There have been no changes in risk exposure from the previous year.

See Auditors' report.